

**EXPRESS MAIL LABEL NO. EL746147205US**

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**PATENT**

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**SYSTEM AND METHOD FOR FACILITATING TIME AND EQUITY LIMITED  
FINANCIAL TRANSACTIONS ACROSS A COMPUTER NETWORK**

**TECHNICAL FIELD**

This invention relates in general to online and wide area network based financial transaction systems, and more particularly to a networked system for administering financial transactions for users on the network.

**DESCRIPTION OF THE PRIOR ART**

Online trading of stocks and other such securities is becoming very popular with investors. The convenience and speed of access to trading markets makes this type of electronic trading very desirable to sophisticated investors.

Margin trading allows sophisticated traders to buy and sell stocks at stock brokerage houses while only paying a portion of the value of the stock up front. Essentially the stock brokerage service extends a loan to such a trader while the value of the investment stays above a certain minimal threshold amount. Investments of amounts greater than the available financial assets of an investor are possible. This typically limits margin trading to an investment mechanism for sophisticated investors.

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A main concern for investors of margin trading, for example, is the volatility of direct stock trading with no downside limits. A margin call from a brokerage service will call the margin trading loan from the investor while typically putting the investor at high risk of losing significant additional personal assets, well beyond the amount currently

5 invested.

Unfortunately, there has been no financial trading system providing the advantages of online trading while limiting investor's downside risk. Thus, there is a need for a system to facilitate financial transactions via a computer network to allow

10 investors, especially those less sophisticated investors, to take advantage of online trading while limiting their downside risk.

**BRIEF DESCRIPTION OF THE DRAWINGS**

15 FIGs. 1 to 3 are flow diagrams illustrating operational sequences in a financial transaction system, in accordance with a preferred embodiment of the present invention. FIG 1 depicts how the system creates an account and the parameters utilized in the Customer Table. FIG 2 describes how the system executes and

20 organizes BUY transactions using established parameters for Customer Table (account/contract updates), Transaction Table (for Buy and Stop Loss parameter updates) and Portfolio Table (inventory assessment). FIG 3 shows how the system executes and organizes Sell transactions using established parameters for Customer Table (account/contract updates), Transaction Table (for Sell parameter updates) and

25 Portfolio Table (inventory assessment).

FIG. 4 is a block diagram illustrating an exemplary computer network and financial transaction system according to a preferred embodiment of the present invention.

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FIGs. 6 to 11 are flow diagrams, labeled Diagram 1 thru Diagram 6, respectively, illustrating an exemplary operational sequence for requesting financial transactions, e.g., placing a trade, according to a preferred embodiment of the present invention.

## 15 Description Of The Preferred Embodiments

### TradeGame Overview:

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device 404 across a wide area network such as the Internet, or other similar type of message communication network.

5 A player sends a message to the central financial transaction administrative system to sign up and, when approved by the system the system creates an account for the user. Account creation sets a group of parameters: the Wallet, the Reserve Deposit, the Reserve Inventory, Excess and number of trades. This account corresponds to at least one record in a database for the central financial transaction administrative system. After account creation, the player forwards payment to the  
10 central system, and when accepted the payment amount is applied to the player's account. The account is then activated by TGI personnel, such as from the administrative computer stations 402, 403. This initiates an Equity Empowered Contract (EEC) and marks the beginning of the contract's lifetime.

15 Tradegame players can trade stocks within the limits of the EEC selected. Profits and Losses are determined by the actual the performance of the selected stocks on their corresponding exchange(s) during the limited timeframe they are actually held by each individual EEC owner in the Tradegame environment.

**20 The Account Creation Process (see diagram element 101)**

Account creation begins when the prospective player selects "sign up" on the web page, the player passes through three pages, filling in answers for the account type selected (e.g. Individual, Joint, etc.) regarding identity, address, demographic, net worth  
25 and other identifying information. An account record is placed on file and marked as "Pending Payment". The player then sends payment via selected method(s) and TGI personnel mark the account as activated.

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### **Account Activation**

Once payment has cleared, the account status is changed from "Pending Payment" to "Active" and the EEC start date is placed on the player's record. An eMail message is sent at the same time to the player's eMail address containing account number, username and password.

### **BUY Transaction** (see diagram elements 201 - 204)

The Tradegame player selects a stock and share amount for a Buy transaction. The trade amount is then calculated using the number of share times the current ask price for that security. If the trade amount is less than or equal to the amount in the Wallet, the trade is allowed. The trade is recorded by creating a Transaction record and Portfolio record. Also, customer record balances and counters are updated.

For each BUY transaction, TGI places a stop loss order at a certain percentage below the purchase price as a protection measure.

### **SELL Transaction** (see diagram elements 301 - 304)

The Tradegame player selects a stock in his Portfolio and a share amount for a Sell transaction. The trade amount is then calculated using the number of shares times the current bid price for that security. If the trade amount is less than or equal to the amount of shares in the Portfolio the trade is allowed. The trade is recorded by creating a Transaction record and a Portfolio record. Customer record balances and counters are updated. All Sell transactions follow the First In - First Out accounting principles currently utilized in the United States to determine actual profits and losses. This clarifies issues of multiple Buys and partial Sells.

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For each SELL transaction TGI removes the corresponding stop loss order. Regarding partial Sell transactions of a given security, the original stop loss is cancelled and a new stop loss is entered with the original execution price and lowered share amount.

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In addition, a SELL transaction can be automatically initiated when a Stop Loss becomes activated. This occurs when the corresponding stock drops in price and the Bid price becomes less than or equal to the Stop Loss price.

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Any calculated losses that may occur are indicated by a corresponding reduction in the Reserve amount. Any calculated gains that may occur are indicated by a corresponding increase in the Excess amount.

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Lastly, in certain instances all remaining positions in the TG environment are automatically closed out and Sold by TGI on the Termination date at the bid price of all remaining stocks in Portfolio at 12:30 pm of such date.

### **Contract Termination**

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An EEC contract is automatically terminated:

1. at the end of EEC lifetime as defined

2. when all allowable trades are consumed as per selected EEC.

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3. when Reserve Amount falls below a defined monetary level (unless the optional "Excess Transfer Option" or "Replenish Option" is activated by Player).

**Contract Completion**

An EEC is completed as follows:

5 1. EEC contract becomes terminated.

2. Check is forwarded to Player within seven business days of Termination Date.

Amount of check is determined by remaining Reserve and Excess amount(s).

10 Additionally, as further examples and according to the preferred embodiments of the present invention, the following list of attachments are incorporated by reference into this patent application.

Attachments:

15 1) A one page block diagram, labeled FIG. 5, illustrating a computer network and a more detailed view of an exemplary financial transaction administrative system according to a preferred embodiment of the present invention. FIG. 5 depicts how transactions flow in and out of the administrative system from/to the Internet to/from an Internet Router through the Tradegame Firewall (to protect the system from hackers,  
20 viruses, etc.). The information all flows through the Tradegame Net (internal network) where it is divided between the actual web server (server for actual website where users place transactions and the data is then sent to or from the secure Database) and the Database 'Server' which stores all the transactions and allows the system to stay organized and operate within established parameters.

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2) A six page transaction flow diagram, labeled Diagram 1 thru Diagram 6, respectively, illustrating an exemplary operational sequence for requesting financial transactions, e.g., placing a trade, according to a preferred embodiment of the present invention.

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3) A set of 21 pages, labeled screen 1 thru screen 21, illustrating exemplary display screens for users of a financial transaction administrative system, such as via web pages, according to a preferred embodiment of the present invention.

5 Although specific embodiments of the invention have been disclosed, it will be understood by those having ordinary skill in the art that changes can be made to the specific embodiments without departing from the spirit and scope of the invention. The scope of the invention is not to be restricted, therefore, to the specific embodiments, and it is intended that the appended claims cover any and all such applications,  
10 modifications, and embodiments within the scope of the present invention.

What is claimed is: